

<p>Newmarket-Tay Power Distribution Ltd. Conditions of Service</p>	<p>Number: NT POWER COS-240-03</p> <p>Issue Date: July, 2007</p>
<p>Security Deposits</p>	<p>Next Review Date: February, 2015</p>

1. Preamble:

Subject to Section 2.4 of the *Ontario Energy Board Distribution System Code*, a *distributor* may use any risk mitigation options available under law to manage *Consumer* non-payment risk. A *distributor* shall not discriminate among *Consumers* with similar risk profiles or risk related factors, except where expressly permitted under the *OEB DSC*.

2. Policy:

- 2.1 Any existing *Consumer* who does not have a good payment history with Newmarket-Tay Power Distribution Ltd. (NT POWER) will be required to pay a *security deposit*. Good payment history is defined in Section 7 below.
- 2.2 All *residential service* and *general service Consumers* returned to *Standard Supply Service* due to payment defaults to *retailers* or settlement payment default by a *retailer* will be required to pay a *security deposit* to NT POWER.

3. Administration of Security Deposits:

- 3.1 *Consumer security deposits* shall be reviewed at least once in a calendar year to determine if an adjustment is required. If the *security deposit* is to be adjusted upward, the additional amount is required when the *Consumer's* next bill comes due.
- 3.2 *Security deposits* may be refunded upon request, after one year, providing the *Consumer* has established a good payment history in accordance with Section 7.
- 3.3 All amounts held on deposit will be applied to the final bill on termination of distribution services.
- 3.4 *Security deposits* shall be requested in writing to the *Consumer* advising the amount and the specific reasons for requiring the *security deposit*.

- 3.5 In the case of a *Consumer* in a >5000Kw billing *demand* rate class, where a good payment history has been established, only 50% of the *security deposit* will be returned.
- 3.6 Acceptable forms of deposit payments are cash, cheque, VISA or an automatically renewing irrevocable letter of credit from a bank as defined in the Bank Act, 1991, c.46. MasterCard payments are also accepted through NT Power's IVR system, but not in the office.
- 3.7 *Security deposits* shall be collected in up to four equal monthly installment payments.
- 3.8 *Security deposits* will be subject to normal collection procedures, including *disconnection*

4. Amount of Deposit:

4.1 Consumers On Standard Supply Service

4.1.1 Residential Consumers:

- 4.1.1.1 *Residential service Consumer security deposits* will be based on two and a half times average monthly usage during the most recent twelve consecutive months within the past two years, times *distribution services rates* and *wholesale settlement rates*. If twelve consecutive months history is not available, it will be based on a reasonable estimate by NT POWER.
- 4.1.1.2 When a *Consumer* has a payment history which discloses more than one disconnection notice in a relevant twelve month period, the highest actual usage will be used.
- 4.1.1.3 The amounts for *distribution services rates* and *wholesale settlement rates* to be used in calculating the deposit are given in NT POWERCOS-500 Appendix "R", The Calculation of Deposit Requirements.
- 4.1.1.4 *Consumers* who join the Pre-Authorized Payment Plans offered by NT POWER may have their *security deposit* amounts reduced by 1/3 of the requested amount.

4.1.2 General Service Consumers:

- 4.1.2.1 Same as *residential service Consumers* 4.1.1.1 above.

4.1.2.2 For *Consumers* in rate class >50Kw who have a credit rating from a recognized credit rating agency, the maximum amount of the *security deposit* will be reduced according to the following table:

<u>Credit Rating (or equivalent)</u>	<u>Equifax Equivalent</u>	<u>Allowable Reduction in Deposit</u>
AAA- and above	<10	100%
AA-, AA, AA+		95%
A-, A, A+		85%
BBB-, BBB, BBB+	10 - 19	75%
Below BBB-	>19	0%

4.1.2.3 Other *security deposits* will be calculated in accordance with NT POWERCOS-500 Appendix "R", The Calculation of Deposit Requirements.

4.1.2.4 *Consumers* who join the Pre-Authorized Payment Plans offered by NT POWER may have their *security deposit* amounts reduced by 1/3 of the requested amount.

4.2 Consumers On Choice With Retailer
Distributor Consolidated Billing

The amount of *security deposit* for both *residential service* and *general service Consumers* will be calculated as in Section 4.1

4.3 Consumers On Choice With Retailer
Retailer Consolidated Billing

No *security deposit* shall be taken from the *Consumer*.

5. Interest on Deposits:

5.1 Security Deposits:

Interest is based on Bank of Canada prime rate less 2.0% and will accrue monthly. The interest rate will be updated at least quarterly and apply only to cash or cheque *security deposits*, upon receipt of total *security deposit*. The calculated interest will be refunded annually and credited to the first billing of the year.

6. Exemptions:

6.1 Federal, Provincial, and Municipal Governments shall be exempt from the *security deposit* requirement.

- 6.2 *Consumers* who have previously established a good payment history with NT POWER will be exempt from the *security deposit* requirement.
- 6.3 A Letter of Reference of a good payment history for *Consumers* will be acceptable from other Canadian electricity or gas *distributors*.
- 6.4 Proof of satisfactory credit history from an Ontario based credit agency. This will be arranged through NT POWER at the *Consumer's* cost.
- 6.5 A declared *Consumer* that is a corporation within the meaning of the *Condominium Act, 1998* who has an account with a distributor that: (a) relates to a property defined in the *Condominium Act, 1998* and comprised predominantly of units that are used for residential purposes; and (b) relates to more than one unit in the property, shall be deemed to be a residential *Consumer* for the purposes of sections 2.4.9 and 2.4.18 of the *DSC*.

7. **Good Payment History**

- 7.1 A *Consumer* is deemed to have good payment history unless:
- more than one preauthorized payment has been returned,
 - more than one returned cheque for insufficient funds,
 - they had a disconnection or
 - more than one collection notice has been issued.
- 7.2 The time period for determining a good payment history is:
- One year for *residential service Consumers*
 - Five years for a *general service Consumers* in a <50Kw demand rate class
 - Seven years for all other *Consumers*
 - The most recent period of time, with some of it in the previous 24 months

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